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In this matter, the Arizona Corporation Commission ("Commission") is required by law to set "just and reasonable" utility rates. This task entails a careful balancing of the interests of Arizona Public Service Corporation ("APS" or "Company") and its ratepayers. Ultimately, the Commission's job in this matter is to authorize equitable rate design and annual revenue requirement that will allow APS an opportunity to recover prudently incurred costs of operation through rates and earn its authorized rate of return. The IBEW Locals' believe that the Settlement Agreement reached in this matter, and to which they are a signatory, accomplishes this task.

Therefore, the IBEW Locals respectfully request that the Commission approve the Settlement Agreement in its present form. This is because the Settlement Agreement is fair and reasonable, is supported by a broad coalition of parties with diverse interests, comports favorably with the possible outcome if there were no agreement, was negotiated in an open and transparent process, is supported by the evidence, and is in the public interest. Indeed, the IBEW Locals find it remarkable that 29 distinct parties worked so diligently together to craft a proposal that balances the wide range of competing interests of the stakeholders.

Particularly important to the IBEW Locals is that APS be given sufficient rate relief to maintain a highly skilled workforce in order to provide safe and reliable service. APS competes in a tight market – one where demand outstrips supply – for a talented workforce in certain specialized areas, such as linemen, substation electricians, and those working in generation. The expense involved in attracting, hiring, and training for these positions is not insignificant. In fact, to replace journeyman linemen, journeyman electricians, E&I technicians and control operators, APS pays more than \$200,000 per employee in apprenticeship wages and training costs. It is imperative that APS has the fiscal ability to provide highly competitive employment packages for these positions because they are critical to APS's continued safe operations and as such, are prudently incurred operation costs. To add to the IBEW Locals' concerns regarding this issue is the fact that approximately 36% of APS's current employees are retirement eligible

¹ Indeed, Article XV, §3 of the Arizona Constitution expressly states that "[t]he corporation commission shall have full power to, and shall . . . make reasonable . . . orders, by which such [public service] corporations shall be governed in the transaction of business within the state and . . . make and enforce reasonable . . . orders for the convenience, comfort, and safety, and the preservation of the health, of the employees and patrons of such corporations." Given that the safety of the IBEW Locals' members is directly at stake in conjunction with the rate relief requested, their interests in this matter are on par with those of the ratepayers.

by the end of 2018.² With this amount of workforce turnover looming, it is crucial that APS be provided the rate relief required to properly replace these workers. In its filing in this case, APS stated that this amount of foreseen turnover, "negatively impacts our business, or financial condition or results of operations."³

The Settlement Agreement is in the public interest for many reasons, and settlement in general is in the public interest. There are many benefits to settlement over a fully litigated rate case. These include, *inter alia*: (i) the conservation of public and private resources; (ii) the avoidance of the risk to the Commission of appellate litigation; (iii) the expedited process of information gathering; (iv) the favorable viewpoint by investors on Wall Street; and (v) the avoidance of extreme posturing and obstructing the expeditious exchange of ideas and data. One settlement term that directly benefits the IBEW Locals, and in turn APS ratepayers, is the inclusion of a provision requiring APS to submit an annual workforce planning report to address the issue of turnover in the workforce. This annual workforce planning report will be filed with the Commission and will provide transparency in the monitoring of APS's hiring needs and the efforts expended to fulfill such needs. As a result, the workforce planning report will assist to ensure that APS is providing safe and reliable service. Notably, it would be quite unlikely that a provision like this would be included in a final order had this case been fully litigated.

Accordingly, here is yet another benefit to settlement in this matter and illustration of why the Settlement Agreement is in the public interest.

Finally, the IBEW Locals address Intervenor Woodward's repeated contentions that they are somehow "cheerleaders" for APS.⁴ While it is true that the IBEW Locals have a long series of collective bargaining agreements with APS (dating back to 1945), these agreements were reached through the negotiation process – the *exact* same type of give and take exercise that transpired between the parties to reach the Settlement Agreement. The IBEW Locals certainly take pride in the historically amicable relationship they have enjoyed with APS; however, it is by no means a relationship without its challenges. Those challenges have been (and continue to be) resolved through this same give and take process. Indeed, for APS and the IBEW Locals to have

² Workforce Planning Compliance Report May 2016, pg. 4.

³ July 1, 2016 APS Application-Rates, Part 1, pg. 173.

⁴ See, e.g., Hearing Transcript ("Tr.") p. 63.

been able to reach agreements for over 70 years speaks volumes as to both parties' good faith efforts to negotiate and to make concessions.

Finally, Intervenor Woodward's assertion that smart meters "pencil out" for the IBEW Locals belies logic because an inherent casualty of the automation of any job is the loss of an actual employee to perform that job. Around the country, the IBEW represents dozens of utilities – most of whom previously employed far more meter readers than they presently do. The implementation of smart meters had the effect of eliminating a large number of meter reader jobs at APS, and elsewhere. The IBEW Locals' support for this portion of the Settlement Agreement is simply another example of a signatory making a concession to reach a settlement, which is what all signatories to the Settlement Agreement had to do. In other words, it is a clear illustration of the give and take involved in a successful negotiation and a further affirmation that the Settlement Agreement represents a thoughtful and delicate balance struck among many divergent interests.

Thus, the IBEW Locals respectfully request that the Commission approve the Settlement Agreement without modification.

RESPECTFULLY SUBMITTED this 17th day of May, 2017.

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Attorneys for Intervenors IBEW Locals 387 and 769

5 Id.

CERTIFICATE OF SERVICE Original and thirteen copies of the IBEW Locals' Notice filed this 17th day of May, 2017, with: Arizona Corporation Commission Docket Control Center 1200 West Washington Street Phoenix, Arizona 85007-2996 Copies of the foregoing transmitted electronically or mailed this same date to those identified on the attached service list for this docket. /s/ Stacey L. Lucas F:\Law Offices\client directory\IBEW L 387\APS\123\2017-5-17 (1445-123) Initial Closing brief.docx

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